

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 2000-714

January 19, 2001

KENNEBEC WATER DISTRICT  
Proposed Rate Change 30% Increase

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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**I. SUMMARY**

In this Order we allow the Kennebec Water District (KWD or District) to increase its rates by 30% to provide annual revenues of \$4,372,262, as it originally proposed in its rate filing made pursuant to 35-A M.R.S.A. § 6104.

**II. BACKGROUND**

On October 5, 2000, KWD filed rate schedules with the Commission proposing to increase its rates by 30%, to be effective November 5, 2000. The filing was made pursuant to 35-A M.R.S.A. § 6104. As required by that section, the District held a public hearing on the increase on September 21, 2000.

On October 2 and October 23, 2000, the Commission received petitions containing over 1380 names asking the Commission to suspend the effective date of the increase and to investigate the increase. The District challenged the validity of 498 of those names. The Hearing Examiner held a hearing November 30, 2000 on the challenges. On December 1, 2000, KWD rescinded its challenge and agreed to allow the case to be processed pursuant to 35-A M.R.S.A. § 310.

On December 1, 2000, the Hearing Examiner granted intervention to the Public Advocate (OPA) and the Lead Petitioner, Mr. Larry Carr. On December 6, 2000, the Commission's Advisory Staff, OPA and Mr. Carr participated in a technical conference to gather further information on the basis for the increase. Following the conference, the OPA, in collaboration with Mr. Carr, agreed to file a Statement of Position by December 15, 2000. KWD replied to that Statement on December 29, 2000. Subsequently, OPA and KWD discussed settling this case but reached no agreement. Instead, OPA and KWD agreed that OPA would file a statement of its current position on various adjustments by January 9 and the District could respond by January 11, 2001. Both parties waived an Examiner's Report and the Commission deliberated the proposed increase on January 16, 2001.

**III. DISCUSSION AND DECISION**

KWD's rate increase is primarily caused by decreased usage by its two largest customers. In December 2000, Chinnet, the District's largest customer, instituted new processes that caused its usage to decrease from 2 million gpd to 100,000 gpd.

Kimberly Clark, the District's second largest customer, ceased operation in 1997. KWD's operation has a high percentage of fixed costs, including debt service, that are not changed by reductions in production. KWD claims it has kept the decrease as low as possible, including requesting no amount for a contingency allowance. Under 35-A M.R.S.A. § 6112, KWD could include an additional \$218,000 in rates as a contingency allowance.

The Public Advocate disputes three of the pro forma expenses KWD provided in support of its proposed increase: contractual services – legal; contractual services – engineering; and total salaries and wages. The OPA recommends adjustment to these expenses that would decrease KWD's revenue requirement by \$50,000 from \$4,372,262 to \$4,322,262, resulting in a 27.99% increase rather than 29.47% increase proposed by KWD. The District agrees that contractual services may be lower, however, it claims it would require some amount as a contingency allowance in the event these costs prove higher. The District also argues that other factors not reflected in its rate filing may further decrease its revenues including higher fuel costs, a special rate contract recently negotiated with the Oakland Division of the Consumers Water Company (the subject of pending Docket 2000-926); and Chinnet's projections that it may decrease its demand even further.

We find that KWD has demonstrated the need for the 30% increase. We recognize the concerns of KWD's ratepayers as reflected in the petition drive collecting over a 1000 signatures. However, review by both our staff and the intervenors found no areas that warrant a reduction in the proposed increase. The Public Advocate's adjustments would have virtually no impact on the amount of the increase and we agree with the District that some contingency allowance would be reasonable.<sup>1</sup> The District appears to have taken steps to keep the increase as low as reasonably possible given its projected expenses and the loss of customer load. We will allow the increase as originally proposed in its Section 6104 filing to go into effect on February 1, 2001.<sup>2</sup>

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<sup>1</sup> We disagree with the Public Advocate's argument that the District could not now ask to include an amount for a contingency allowance based on our decision in *Central Maine Power Company, Proposed Increase in Rates*, Docket No. 89-68, Order on Attrition Testimony – Rebuttal Phase (Dec. 22, 1989). The circumstances in that case are distinguishable from the one presented here. CMP attempted to file testimony supporting a \$35 million attrition allowance in the final months of a nine-month rate case. We rejected the adjustment given the timing and complexity of the issue.

<sup>2</sup> Following the Commission's deliberations on January 16, 2001, the District requested that the rate increase be effective for service rendered on or after February 1, 2001.

Accordingly, we

**O R D E R**

That the rate schedules filed by the Kennebec Water District on October 5, 2000, as corrected on October 23, 2000, are effective for service rendered on or after February 1, 2001.

Dated at Augusta, Maine, this 19<sup>th</sup> day of January, 2001.

**BY ORDER OF THE COMMISSION**

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
   Nugent  
   Diamond

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.